

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 COM-02 CAB-02 CIAE-00
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R 312030Z MAR 77

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 3736

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2119

E.O. 11652: GDS

TAGS: BDIS, EINV, ENRG, EC

SUBJECT: NORTHWEST-GOE NEGOTIATIONS

1. BEGIN SUMMARY. NORTHWEST SAYS OKC HAS FILED SUIT AGAINST NORTHWEST IN DELAWARE, THUS SERIOUSLY DIMINISHING THE CHANCES FOR A SUCCESSFUL DEAL BETWEEN NORTHWEST AND OKC. NORTHWEST'S NEGOTIATIONS WITH CEPE AND THE NATURAL RESOURCES MINISTRY HAVE RECENTLY IMPROVED SUBSTANTIALLY, BUT NORTHWEST STILL NEEDS GOE DECISIONS ON APPARENT CONFLICTS BETWEEN EXISTING GOE LAWS AND THE NORTHWEST CONTRACT. END SUMMARY.

2. LOCAL NORTHWEST MANAGER GLENN NELLE AND NORTHWEST ATTORNEY (FNU) SANCHI CALLED ON EMBASSY MARCH 30 TO GIVE US A COPY OF THE PROPOSAL THAT NORTHWEST HAD SUBMITTED TO THE GOE IN FEBRUARY, AND TO DISCUSS NORTHWEST'S CURRENT NEGOTIATIONS WITH CEPE AND THE DIRECTORATE OF HYDROCARBONS (DGH, IN THE NATRES MINISTRY). NELLE REPORTED THAT OKC PRESIDENT CLOYCE BOX HAD RECENTLY FILED SUIT AGAINST NORTHWEST IN DELAWARE COURTS. NELLE DESCRIBED THE SUIT AS IDENTICAL TO THAT FILED EARLIER BY ADA AGAINST NORTHWEST IN TEXAS.

3. NELLE SAID THAT OKC AND NORTHWEST HAD BEEN HOLDING
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WHAT NORTHWEST CONSIDERED TO BE PRODUCTIVE NEGOTIATIONS THE DAY BEFORE OKC FILED ITS SUIT. NELLE REPORTED THAT NORTHWEST PRESIDENT MCMILLIAN WAS "ANNOYED" AT BOX'S SUIT WHICH HE FEELS INDICATES THAT BOX HAD NOT BEEN NEGOTIATING IN GOOD FAITH.

4. NELLE OPINED THERE WAS NOW VERY LITTLE CHANCE OF OKC

AND NORTHWEST REACHING AN AGREEMENT FOR JOINT DEVELOPMENT OF THE GULF OF GUAYAQUIL. APPARENTLY BOX'S ONLY EXPLANATION TO NORTHWEST AFTER THE FILING OF THE SUIT WAS THAT HE WAS CORRECTING ADA'S "PROCEDURAL ERROR" BY REFILING THE SUIT IN DELAWARE.

5. NORTHWEST'S PROPOSAL TO THE GOE CALLS FOR THE CONSTRUCTION OF A GAS LINE FROM THE GULF OF GUAYAQUIL TO THE GUAYAQUIL MARKET, THUS RESULTING IN SUBSTANTIAL SAVINGS FOR THE GOE BY REPLACING THE INDUSTRIAL USE OF SUBSIDIZED DIESEL AND KEROSENE WITH NATURAL GAS. NELLE REPORTED THAT THE GOE HAD BEEN EXTREMELY COOPERATIVE IN MEETINGS WITH NORTHWEST MARCH 28-29 TO ESTABLISH THE NECESSARY MIXED COMPANIES, AND WERE APPARENTLY UNDER ORDERS TO REACH SOME AGREEMENT WITH NORTHWEST.

6. NORTHWEST, SAID NELLE, HAS ALREADY RUN INTO SEVERAL PROBLEMS REGARDING GOE DECREES CONFLICTING WITH THE NORTHWEST-CEPE CONTRACT OR OTHER GOE LAWS. FOR EXAMPLE, HE SAID, THE CONTRACT AND THE HYDROCARBONS LAW CONFLICT WITH A 1973 DECREE REGARDING THE LAYOUT OF THE AREAS RETAINED FOR THE EXPLOITATION PHASE. HE EXPLAINED THAT APPLICATION OF THE 1973 DECREE WOULD SEVERELY LIMIT NORTHWEST'S PRODUCTIVE AREAS, AND REVISION OF THE DECREE WAS A NECESSARY PREREQUISITE TO ANY DRILLING. GOE OFFICIALS HAVE ASSURED NORTHWEST THAT THIS PROBLEM WILL BE IMMEDIATELY RESOLVED, BUT TO DATE NO ACTION HAS BEEN TAKEN.

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7. UPSHOT OF CURRENT NEGOTIATIONS IS THAT CEPE WILL CONTINUE TO WORK ON LEGAL AND TECHNICAL BASES FOR THE MIXED COMPANY OR COMPANIES.
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